



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
CAMPBELL COUNTY
SHERIFF'S SETTLEMENT - 1999 TAXES**

April 19, 2000

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EXECUTIVE SUMMARY

CAMPBELL COUNTY JOHN DUNN, SHERIFF SHERIFF SETTLEMENT - 1999 TAXES April 19, 2000

On September 20, 2000, fieldwork was completed on the 1999 Sheriff Tax Settlement. An unqualified opinion was rendered. Lack of adequate segregation duties was noted as a reportable condition.

Financial Condition:

The Sheriff is due refunds of \$3,723 and owes \$262 to various taxing districts.

Escrowed Money:

The Sheriff collected \$4,329 of duplicate payments and unexplained receipts.

Subsequent Event:

Beginning July 1, 2000, the City of Newport began collecting taxes for the Newport Independent Schools. Prior to July 1, 2000, the Campbell County Sheriff's Department was the tax collection agent for the Newport Independent Schools.

For the 1999 tax year, commissions earned from the Newport Independent Schools totaled \$89,594.

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Edward B. Hatchett, Jr.
Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable Steve Pendery, Campbell County Judge/Executive

Honorable John Dunn, Campbell County Sheriff

Members of the Campbell County Fiscal Court

Independent Auditor's Report

We have audited the Campbell County Sheriff's Settlement - 1999 Taxes as of April 19, 2000. This tax settlement is the responsibility of the Campbell County Sheriff. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with generally accepted Government Auditing Standards and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Sheriff prepares his financial statement on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Campbell County Sheriff's taxes charged, credited, and paid as of April 19, 2000, in conformity with the basis of accounting described in the preceding paragraph.

In accordance with Government Auditing Standards, we have also issued a report dated September 20, 2000, on our consideration of the Sheriff's compliance with certain laws and regulations and internal control over financial reporting.

Respectfully submitted,

Edward B. Hatchett, Jr.

Auditor of Public Accounts

Audit fieldwork completed -
September 20, 2000

CAMPBELL COUNTY
JOHN DUNN, SHERIFF
SHERIFF'S SETTLEMENT - 1999 TAXES

April 19, 2000

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 3,026,661	\$ 4,007,462	\$ 12,691,203	\$ 4,186,409
Tangible Personal Property	219,139	209,773	1,201,803	817,594
Intangible Personal Property				385,512
Franchise Corporation	126,252	128,115	552,315	
Increased Through Erroneous Assessments	1,840	2,285	13,840	3,383
Penalties	9,969	12,483	45,401	14,483
Adjusted to Sheriff's Receipt	(574)	(202)	6	(1,280)
Gross Chargeable to Sheriff	<u>\$ 3,383,287</u>	<u>\$ 4,359,916</u>	<u>\$ 14,504,568</u>	<u>\$ 5,406,101</u>
<u>Credits</u>				
Discounts	\$ 53,259	\$ 68,791	\$ 225,667	\$ 90,287
Exonerations	14,975	16,825	100,658	31,520
Delinquents:				
Real Estate	42,318	57,414	213,125	58,533
Tangible Personal Property	4,982	4,804	31,103	17,101
Intangible Personal Property				2,518
Uncollected Franchise	<u>3,024</u>	<u>2,751</u>	<u>14,023</u>	
Total Credits	<u>\$ 118,558</u>	<u>\$ 150,585</u>	<u>\$ 584,576</u>	<u>\$ 199,959</u>
Net Tax Yield	\$ 3,264,729	\$ 4,209,331	\$ 13,919,992	\$ 5,206,142
Less: Commissions (a)	<u>139,038</u>	<u>146,129</u>	<u>348,000</u>	<u>221,549</u>
Net Taxes Due	\$ 3,125,691	\$ 4,063,202	\$ 13,571,992	\$ 4,984,593
Taxes Paid	3,124,585	4,059,347	13,557,863	4,978,525
Refunds (Current and Prior Year)	<u>3,662</u>	<u>4,131</u>	<u>14,427</u>	<u>6,405</u>
Due Districts or (Refunds Due Sheriff) as of Completion of Fieldwork	<u>\$ (2,556)</u>	<u>\$ (276)</u>	<u>\$ (298)</u>	<u>\$ (337)</u>

(a), (b), and (c) See Page 4

CAMPBELL COUNTY
 JOHN DUNN, SHERIFF
 SHERIFF'S SETTLEMENT - 1999 TAXES
 April 19, 2000
 (Continued)

(a) Commissions:

10% on	\$	10,000
4.25% on	\$	11,661,972
2.5% on	\$	13,919,992
1% on	\$	1,008,230

(b) Special Taxing Districts:

Library District	\$	(46)
Health District		(22)
Extension District		(17)
Soil Conservation District		(3)
Courthouse Commission District		(102)
Fire District 2		(179)
Fire District 3		(5)
Fire District 4		114
Fire District 5		(5)
Fire District 6		(1)
Fire District 7		(9)
Fire District 8		(1)
		<hr/>
Due Districts or (Refunds Due Sheriff)	\$	<u>(276)</u>

(c) School Districts:

Common School District	\$	(434)
Newport School District		14
Bellevue School District		93
Dayton School District		41
Silver Grove School District		(12)
		<hr/>
Due Districts or (Refunds Due Sheriff)	\$	<u>(298)</u>

The accompanying notes are an integral part of the financial statement.

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENT

April 19, 2000

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of April 19, 2000, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the Sheriff's agent in the Sheriff's name, or provided surety bonds which named the Sheriff as beneficiary/obligee on the bonds.

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENT
April 19, 2000
(Continued)

Note 4. Property Taxes

The real and personal property tax assessments were levied as of January 1, 1999. Property taxes were billed to finance governmental services for the year ended June 30, 2000. Liens are effective when the tax bills become delinquent. The collection period for these assessments was September 28, 1999 through March 24, 2000.

Note 5. Interest Income

The Campbell County Sheriff earned \$37,708 as interest income on 1999 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder will be used to operate the Sheriff's office.

Note 6. Unrefundable Duplicate Payments And Unexplained Receipts Should Be Escrowed

The Sheriff should deposit any unrefundable duplicate payments and unexplained receipts in an interest-bearing account. According to KRS 393.110, the Sheriff should properly report annually to the Treasury Department any unclaimed moneys. After seven years, if the funds have not been claimed, the funds should be submitted to the Kentucky State Treasurer. For the 1999 taxes, the Sheriff had \$ 4,329 in unrefundable duplicate payments and unexplained receipts. Therefore, the Sheriff should send a written report to the Treasury Department.

Note 7. Subsequent Events

Beginning July 1, 2000 the City of Newport began collecting taxes for the Newport Independent Schools. Prior to July 1, 2000 the Campbell County Sheriff's Department was the tax collection agent for the Newport Independent Schools. For the 1999 tax year, commissions earned from the Newport Independent Schools totaled \$89,594.

REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Honorable Steve Pendery, Campbell County Judge/Executive
Honorable John Dunn, Campbell County Sheriff
Members of the Campbell County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the Campbell County Sheriff's Settlement – 1999 Taxes as of April 19, 2000, and have issued our report thereon dated September 20, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Campbell County Sheriff's Settlement – 1999 Taxes as of April 19, 2000 is free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Campbell County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Campbell County Sheriff's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. The reportable condition is described in the following comment.

- The Sheriff Has A Lack Of Adequate Segregation Of Duties.

Honorable Steve Pendery, Campbell County Judge/Executive
Honorable John Dunn, Campbell County Sheriff
Members of the Campbell County Fiscal Court
Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the following reportable condition to be a material weakness.

- The Sheriff Has A Lack Of Adequate Segregation Of Duties

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
September 20, 2000

